



MINUTES

Board Members Present: Councilmember Tim Burgess; Robert Harvey; David Stewart; Glen Lee; Lou Walter; Sherry Crawford

Board Members Absent: Jean Becker

SCERS Staff Present: Cecelia M. Carter; Tony Smith; Ben Kalman; Beverly Yapp; Lisa Carns

Others Present: Gavin Parr, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; Jeff Slayton, Seattle City Attorney's Office; John McCoy, Legislative Central Staff; Tom Kirn, Finance and Administration Services; George Emerson, Finance and Administration Services; Diana Douglas, Local 17; John Masterjohn, Retiree.

Councilmember Burgess, Board Chair called the meeting to order at 9am.

Public Comment: No public comment.

Administrative Consent Agenda

Minutes:

Provided in the Retirement Board packet was the minutes from the August 9, 2012 Retirement Board regular meeting.

Ratification of Retired Payroll, Office Payroll, Other Payments and Withdrawals

| | |
|--|---------------------------|
| Service | \$10,006,004.30 |
| Beneficiary | \$897,449.64 |
| Disability | \$76,808.51 |
| Pension Payroll – PPE August 31, 2012 | \$10,980,262.45 |
| Office Payroll – PPE August 10 and 24, 2012 | \$88,744.53 |
| Vouchers Processed – August 31, 2012 | \$1,496,560.95 |
| *Expert and Consultant Services – \$30,834.40 | |
| *Investment Management Fees – \$1,363,813.40 | |
| *Interdepartmental Charges - \$63,092.60 | |
| *Miscellaneous - \$38,820.55 | |

Immediate Withdrawals of Contributions for the month of August 2012:

| Member | Department Name | Position |
|-------------------------|-----------------|--------------------|
| Allman, Christopher S | Parks | Groundskeeper I |
| Benson, Lisa Marie | Police | Admin Spec I |
| Crowley, Elizabeth | Police | Acct Tech III |
| Davis, Sha'quina T | HSD | Admin Spec II |
| Hubbell, Scott W | SDOT | Gardener |
| Hunter, Yesenia N | HSD | Program Intake Rep |
| Hutchinson, Phillip C | DPD | Info Tech Prob B |
| Jones, John E | Parks | Supervisor |
| Jones, Marijes | SPU | Admin Staff Anlyst |
| Kelley, Marites | SDOT | Acct Tech III |
| Knudsen, Troy L | HSD | Counselor |
| Krabbenhoft, Patricia E | City Light | Hydro Maint Wrk I |
| Miller, Suzanne E | Library | Library Asst II |
| Monteiro, Maria A | Library | Library Tech I |
| Muller, Gretchen K | SPU | Plng & Dev Spec II |

| Member | Department Name | Position |
|--------------------|-----------------|----------------------|
| Nolte, Daniel R | Legist | Legist Asst |
| Pape, Rebekah Dean | Legist | Legist Asst |
| Silber, Andrew D. | City Light | Energy Cons. Analyst |
| Vang, Ly | Health | Registered Nurse |

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

Ratification of Service Retirements for the month of August

| Retiree | RetireDt | Years | Days | Age | DeptName | Position |
|--------------------------|------------------|-----------|------------|-----------|-------------------|-----------------------------------|
| Aho, Samisoni | 8/2/2012 | 32 | 42 | 66 | SPU | Constr&Maint Equip Op. |
| An, Jiahong | 7/17/2012 | 12 | 296 | 57 | Vested | Vested |
| Balmaceda, Florante G. | 8/1/2012 | 10 | 215 | 62 | Library | Delivery Drvr I |
| Bartley, Robert | 7/5/2012 | 29 | 0 | 68 | City Light | Economist |
| Bauer, Brenda L. | 7/6/2012 | 24 | 261 | 55 | Vested | Vested |
| Belvin, Allan E. Jr. | 7/14/2012 | 19 | 20 | 62 | City Light | Meter Electrician |
| Bouie, Lesia F. | 8/10/2012 | 31 | 227 | 53 | Law | Admin Spec I |
| Brown, Robert W. | 7/4/2012 | 30 | 18 | 50 | SPU | Constr & Maint Equip Op, Sr. |
| Coldwell, Charles P. | 8/15/2012 | 25 | 114 | 63 | Library | IT Info Tech |
| Crevensten, Daniel C. | 8/3/2012 | 8 | 347 | 67 | City Light | Capital Projects Coordinator |
| Darling, Michael J. | 7/18/2012 | 11 | 312 | 58 | Parks | Plng & Dev Spec, Sr. |
| Demps, S.L. | 8/15/2012 | 50 | 312 | 78 | Parks | Contr&Maint Equip Op. |
| Deymonaz, James L. | 8/15/2012 | 33 | 306 | 58 | Parks | Civil Engrng Spec, Sr. |
| Fowler, Cynthia S. | 7/17/2012 | 21 | 350 | 55 | SPU | StratAdvsr 1 |
| French, Dwight G. | 7/6/2012 | 16 | 209 | 59 | Vested | Vested |
| Golley, Susie A. | 8/4/2012 | 23 | 130 | 57 | Parks | Util Laborer |
| Grady, James C. | 8/4/2012 | 6 | 243 | 63 | DPD | Elevator Inspector |
| Habte-Egzy, Tewelde T. | 8/10/2012 | 16 | 130 | 75 | Seattle Center | Parking Attendant Sr. |
| Hageman, Robert J. | 8/2/2012 | 23 | 147 | 65 | Library | Librarian |
| Harris, Frank | 8/2/2012 | 28 | 93 | 66 | Parks | Carpenter |
| Hayes, Marian G. | 7/6/2012 | 18 | 207 | 67 | K.C. Health | Nutritionist |
| Hellwig, Raymond K. | 7/24/2012 | 6 | 6 | 62 | City Light | Vested |
| Hirano-Kramer, Betty L. | 7/6/2012 | 28 | 257 | 60 | Human Services | Microbiologist |
| Jessel, James F. | 7/18/2012 | 4 | 207 | 66 | Vested | Portability |
| Jones, Tony D. | 8/18/2012 | 20 | 0 | 54 | Parks | Maint Laborer |
| Kelley, Robert A. | 8/15/2012 | 26 | 351 | 66 | SPU | Civil Engr, Sr. |
| Kokorowski, Cathleen S. | 8/11/2012 | 17 | 205 | 61 | Police | Admin Spec I-BU |
| Kunka, William J. | 7/20/2012 | 30 | 25 | 66 | City Light | Jrnywkr in Chg |
| Luhr, John H. | 8/15/2012 | 31 | 352 | 66 | City Light | Hydroelec Maint Mach CC |
| Lyles, George R. | 8/15/2012 | 32 | 76 | 55 | SPU | Pmp Stat Maint Leadwkr |
| McAllister, Deborah H. | 7/18/2012 | 10 | 227 | 62 | DPD | Housing/Zone Inspector |
| McConnell, Ross J. | 8/2/2012 | 16 | 297 | 63 | City Light | Hydroelec Maint Mach CC |
| Moss, Robert L. | 8/11/2012 | 22 | 2 | 58 | City Light | Lineworker |
| Ness, Rosemary L. | 8/14/2012 | 12 | 174 | 65 | SDOT | Exec Asst |
| Rose, David L. | 7/26/2012 | 7 | 187 | 64 | Vested | Vested |
| Shure, Ronald A. | 8/2/2012 | 14 | 107 | 65 | Vested | Vested |

| Retiree | Retire Dt | Years | Days | Age | Dept Name | Position |
|------------------------|-----------|-------|------|-----|-----------|-----------------|
| Singh, Judy D. | 7/18/2012 | 30 | 101 | 51 | DPD | Permit Spec II |
| Skinnarland, Kirvil M. | 7/31/2012 | 9 | 75 | 62 | Vested | Vested |
| Tamsky, Daniel M. | 7/24/2012 | 12 | 181 | 57 | Vested | Vested |
| Vert, Michael A. | 7/17/2012 | 2 | 361 | 62 | Vested | Portability |
| Wallace, Hugh P. Jr. | 7/18/2012 | 9 | 338 | 68 | Police | Utility Laborer |

For the month of August: 41 new Members entered the System, 40 terminations, 41 Members retired in the System, 12 Members removed (\$16,632.40), no Option C expirations, 1 Option D/E continuation, 3 Option F.

Motion: Upon motion by Bob Harvey, seconded by David Stewart, the Retirement Board approved the below items contained in the Administrative Consent Agenda.

- Minutes of the August 9, 2012, Board Meeting as amended
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of August 2012

Councilmember Burgess, Board Chair announced there will be an executive session at the end of the meeting

Investment Consent Agenda

Investment Committee Report

The Investment Committee met on August 30, 2012 at 12pm at the Seattle City Employees' Retirement System Office, 720 Third Avenue, Suite 900 (Pacific Building). Committee members present: Lou Walter; Bob Harvey, Glen Lee; David Stewart. Other Board members present: Jean Becker. Investment Advisory Committee present: Mr. Joseph Boateng; Mr. Alan Hess; Mr. Paul Maffeo; Mr. John Comerford; Mr. Dwight McCrae. Staff Present: Cecelia Carter, SCERS Executive Director; Tony Smith; Ben Kalman; Carlton Seu, Seattle City Attorney's Office; Others present: Neil Rue, PCA; David Sancewich, PCA; Kay Ceserani, PCA; Christy Fields, PCA; Mike Moy, PCA; John McCoy, Legislative Central Staff; George Emerson, FAS; Jessica Wang, Budget Office.

Investment Summary Accounting Report:

Tony Smith, SCERS staff reported as of July 31, 2012, the SCERS Total Portfolio had a total plan market value of \$1.84 billion. The funded ratio for the plan was 61.83%. Staff reported during the month of July, the underweight to Non-U.S. Equity was reduced. The overweight to BlackRock was reduced to 17% bringing them closer in line with the manager concentration target of 15%. Staff also reported the Covered Calls mandate is ready to fund.

Real Estate Search Process

Tony Smith, SCERS staff reported Christy Fields from PCA walked through the Core Real Estate process documents with the Investment Committee. The purpose of the process is to identify two core real estate managers for SCERS. SCERS staff reviewed a proposed schedule which incorporated a more efficient use of time. The proposed process entailed eliminating the step of having the Investment Committee formally approve the finalist candidates and having Staff conduct due diligence prior to finalists presentations. There was dialogue about scheduled dates. The Investment Committee recommended the Board approve the search process and authorized staff to begin implementing a more accelerated and efficient schedule during manager searches.

SCERS staff also reported the GILS mandate is funded.

Timeline Asset Liability Activities

Tony Smith, SCERS staff reported PCA presented a timeline of activities since the Asset Liability Study to the Investment Committee with a brief review of the items that have been completed and pending. The discussion also included Private Equity.

Developed Markets Manager Discussion

Tony Smith, SCERS staff reported that staff and PCA narrowed the field to the top seven candidates based on quantitative and qualitative analysis. The seven finalists in alphabetical order are: Baillie Gifford, BlackRock, Dimensional Fund Advisors, MFS, PIMCO, Pyramis, and Research Affiliates. An outline of the selection process was discussed at the Investment Committee meeting. SCERS staff and PCA recommended BlackRock fill the passive portion of the mandate. An on-site due diligence visit would be conducted by Staff and PCA. The Investment Committee recommended the Board approve the Developed Markets Manager Finalist memo.

Emerging Markets Manager Search:

Tony Smith, SCERS staff reported that staff and PCA recommend J.P. Morgan Emerging Markets Diversified Fund to manage the SCERS' active emerging markets equity mandate. The revised recommendation results from the inability to reach consensus during contract negotiations. The Investment Committee recommended to the Board that J.P. Morgan be selected for the Emerging Markets manager mandate.

Performance Report for 2Q 2012

Tony Smith, SCERS staff reported as of Q2 2012, the SCERS Total Portfolio produced a -2.2% return, trailing the policy benchmark, which returned -1.4%. Security selection in U.S. Equity and Private Equity detracted from returns, as well as an underweight to Private Equity. During the trailing 1-year period, the Total Portfolio returned 0.2%, trailing the policy benchmark, which returned 1.7%. Differences in asset allocation versus the policy benchmark, as well as security selection, detracted from returns. PCA included a number of additions to the quarterly performance report going forward, including net of fee performance, longer-term attribution and risk/return analysis, and the cumulative annualized return of the SCERS Total Portfolio actual return relative to the expected policy range.

Ms. Carter announced that an error was identified after the Investment Committee. A revised 2Q Performance Report will be presented at the Investment Committee meeting on September 27th.

Motion: Upon motion by Tim Burgess, seconded by Bob Harvey, the Retirement Board accepted the Investment Consent Agenda except for the Performance Report for 2Q 2012.

Motion: Upon motion by David Stewart, seconded by Bob Harvey, the Retirement Board approved the Investment Committee's recommendation that staff redesign the manager selection search process to be more efficient to present the finalists to the Board for consideration.

Executive Director Report:

Ms. Carter provided an update on the City Council's question and request for clarification regarding the City's Municipal Code related to disability retirement and portability. The memorandum submitted to the Board asked for a review of the impact of the current disability retirement ordinance, as recently modified, in conjunction with the State's retirement portability laws. A proposed draft legislation was provided to the Board. The proposed draft legislation includes a provision to the disability benefit definition for members hired or making application after December 31, 2012 with less than 10 year of actual City service, but who otherwise qualified for a disability retirement under the portability provision of RCW 41.54.032. For all other members with at least 10 years of actual City service portability has less impact. Ms. Carter asked the Board to review and provide feedback if they had any questions.

Ms. Carter announced the credit interest rate of 3.33% was adopted by City Council on September 10, 2012. The 3.33% rate will be effective January 1, 2013 on all employee contributions plus interest deposited and credited after December 31, 2011.

Ms. Carter announced National Save for Retirement is the week of October 21, 2012. SCERS staff will host a National Save for Retirement event on Monday, October 22nd. The Board was provided a draft Resolution supporting National Save for Retirement Week. Ms. Carter requested the Board review the Resolution and provide any feedback or questions. The Resolution will be presented for the Board's endorsement at the October 11th Board of Administration meeting.

Ms. Carter provided the Board with a revision of page four to the Dashboards presented at the August 9, 2012 Board meeting. The Board questioned the new hire and new members count in 1999. Our records indicate there were 2,475 new hires to the City and 1,289 new members into SCERS in 1999.

Ms. Carter announced the Audit Service RFP will be posted on Friday, September 14, 2012 and close Friday, October 12, 2012. Ms. Carter provided the Board with a flow chart outlining the process. Ms. Carter requested an Audit committee be formed at the October Board meeting to meet the last week in October to review the RFP's.

Ms. Carter reported the SCERS Fiduciary Liability renewal was submitted to cover the time period November 15, 2012 – November 13, 2013.

Mr. Lou Walter arrived at 9:28pm.

Status of Benefit Enhancements:

Information: The **estimated** current funding level of the Retirement Fund is 61.83% as of July 2012 on a marked-to-market basis. The above amount is an estimate calculated each month by the Retirement Office staff. As provided by Ordinance 120685, changes to the Floor COLA will occur once the funding level has reached at least 100% and has been confirmed by the Board after commissioning an actuarial valuation.

Councilmember Burgess announced at 9:30am that the Board would be in executive session until 10:15am.

The Board reconvened at 10:07am.

Adjournment:

Motion: Upon of motion Tim Burgess, seconded by Lou Walter the Retirement Board voted to adjourn the meeting at 10:07am.

David L. Stewart, Secretary